RE/MAX COMMERCIAL CAPITAL

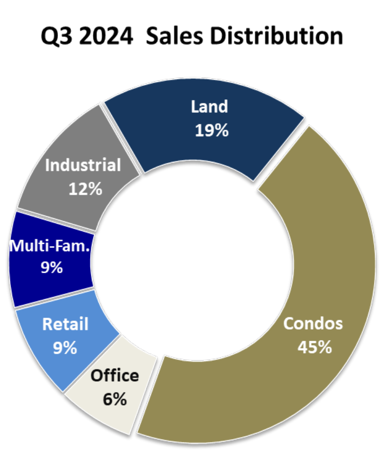
Q3 2024 Calgary CRE Market Overview

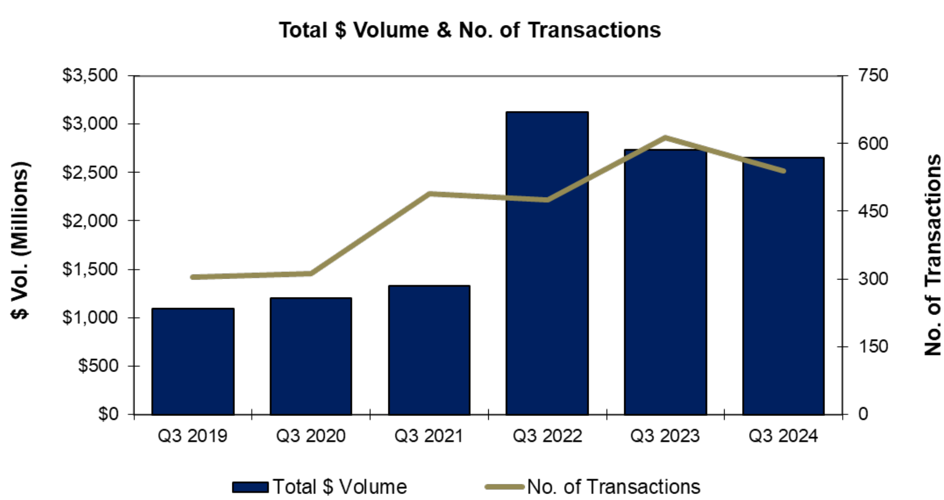
November 2024

Building on strong commercial real estate investment volume at the mid-year mark, investors placed an additional $799.9 million into the Calgary market during the third quarter of 2024. That brought total dollar volume for the year to September 30th to approximately $2.66 billion, which calculates to a year-over-year decrease of $79.2 million (3%). Several very large transactions of greater than $75 million helped offset an overall decrease in aggregate sales, which were down 12% year-over-year.

Fueling investment were sales of land, multi-family and retail properties, which garnered $643 million, $612.8 million and $601.8 million, respectively. The above-noted powerful appetite for multi-family properties put year-to-date dollar volume just $44.4 million short of full-year 2023 investment, which set an all-time record. Similarly, demand for retail assets was such that a fourth consecutive year-over-year leap in total dollar volume emerged. Also posting year-over-year investment increases were commercial condominiums and land, which were up 10% and 6%, respectively. Demand for industrial and office assets softened, however and each of these asset types continued to post year-over-year decreases in both total sales numbers and in dollar volume invested.

	Q3 2020	Q3 2021	Q3 2022	Q3 2023	Q3 2024
Land					
Total $ Value:	**$297,164,965**	**$278,005,166**	**$390,253,993**	**$607,790,336**	**$643,077,050**
No. of Transactions:	**52**	**54**	**80**	**128**	**103**
Buildings					
Total $ Value:	**$901,421,962**	**$1,055,332,887**	**$2,736,201,345**	**$2,127,130,634**	**$2,012,619,3414**
No. of Transactions:	**260**	**435**	**395**	**485**	**436**
Totals					
Total $ Value:	**$1,198,586,927**	**$1,333,338,053**	**$3,126,455,338**	**$2,734,920,970**	**$2,655,696,391**
No. of Transactions:	**312**	**489**	**475**	**613**	**593**

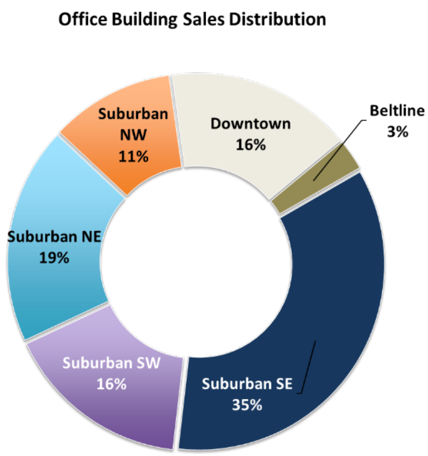


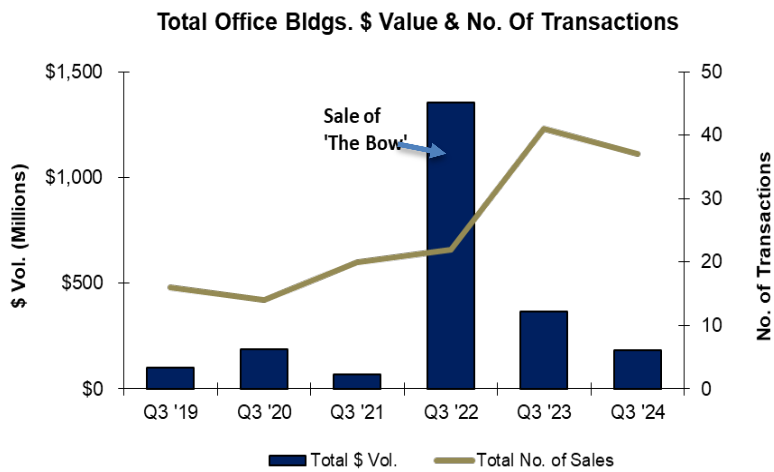


Office Sector

To September 30th, 37 office building transactions closed – ten of them in the third quarter alone. The $182.3 million in total sales through the third quarter equated to roughly half of investment at the same point last year. As mentioned previously in this report, total investment to Sept. 30th represented a notable year-over-year decrease but it should be noted that, stripping out the massive $1.2 billion sale of The Bow in 2022, office building investment was above a six-year average for this asset group.

At Sept. 30th, five transactions+ closed above $10 million but none greater than $25 million, indicating an ongoing suppressed appetite for bigger-ticket properties. As noted in our mid-year report, this marks an about-face for Calgary office investment environment, after a two-year resurgence of interest – particularly in the Downtown where several office buildings have been purchased specifically with the intention of commercial-to-residential conversions under the *Downtown Development Incentive Program*. Now that a second round of funding has been announced under that program, another boost in Downtown sales may be in store.

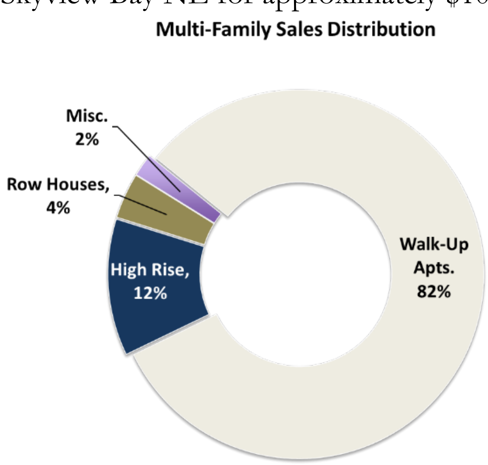


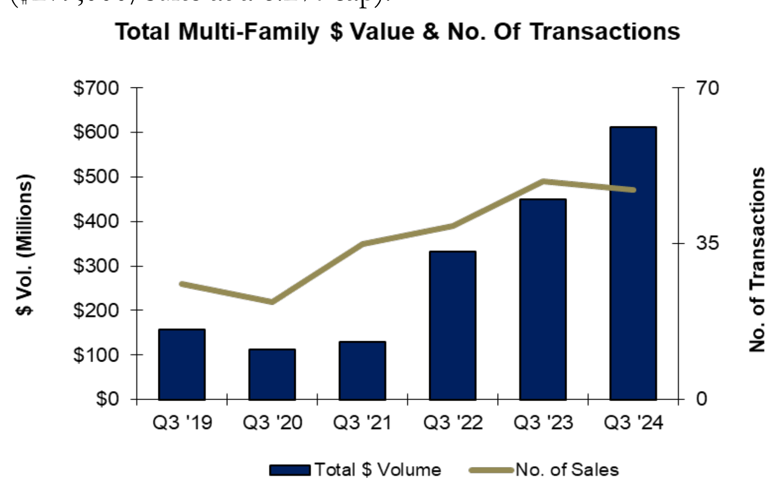


Multi-Family Sector

Investment in multi-family properties continued to skyrocket through 2024, posting a year-over-year increase of just under $167 million or 37% and nearly doubling Q3 2022 levels. Total sales were essentially flat, with 47 transactions closing by Sept. 30th versus 49 at the same point in 2023. As shown in the bar graph below, investment dollar levels for the year-to-date contrast sharply with all previous year activity we have on record and this is also reflected in average prices per unit. Through Sept. 30th, multi-family properties moved for an average of $223,252 per unit, up significantly from $202,900 a year earlier. Cap rates came in at 4.8% versus 4.5% last year.

The largest transactions of 2024 to date remain the $176 million the portfolio purchases of the Glenmore Gardens & Elata & Glenmore Heights ($250,000/suite at a 4.35% cap) and the two-building purchase of 141 & 181 Skyview Bay NE for approximately $103 million ($279,000/suite at a 6.2% cap).



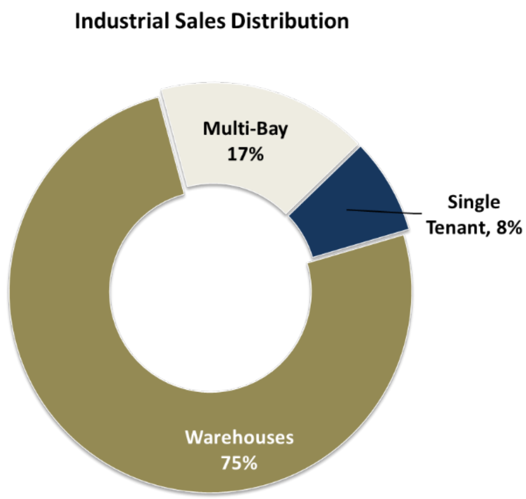


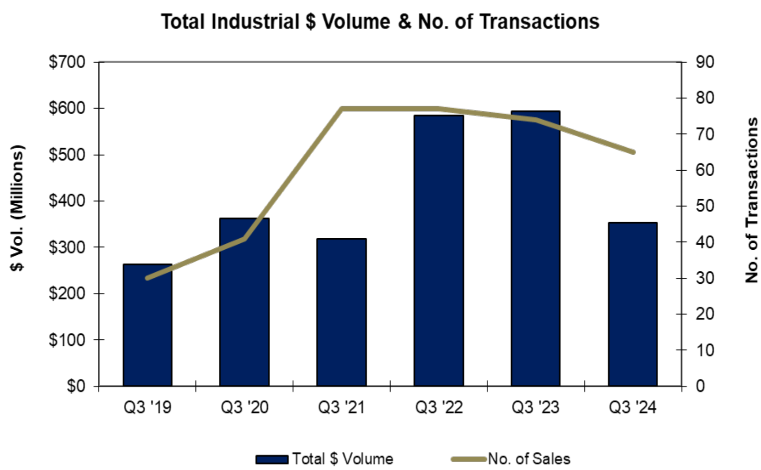
Industrial Sector

While Industrial properties were a popular and stable asset class for investors through 2022 and 2023, investors took a step back during the first half of 2024 and remained there during the third quarter. Approximately $136 million was invested from July through September, bringing total investment to $353.6 million – substantially lower than the two previous years and returning to Q3 2020 levels.

As shown in the chart below, year-over-year transactions and dollar volume saw powerful rebounds in the immediate post-pandemic years, but the market has largely become over-bought and the leasing market has shown signs of normalizing after reaching record-low vacancy rates during 2022 and 2023.

Despite the above, average price per square foot remained essentially flat, decreasing ever-so-slightly year-over-year to $215/sf from $217/sf at Sept. 30th, 2023.

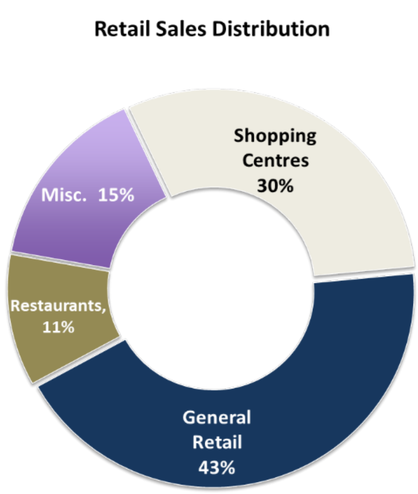


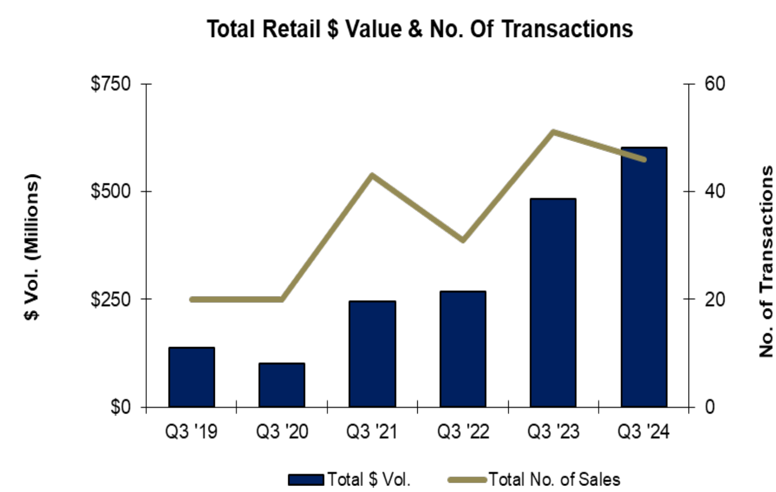


Retail Sector

Just under $602 million in transactions closed among retail assets through September 30th, marking a six-year high at the end of a four-year streak of consistent investment increases. The 25% jump in dollar volume over Q3 2023 is largely tied to an uptick in big-ticket purchases of $25 million and greater. Seven such transactions closed – six shopping centres and one hotel – and comprised just over $397 million, or about two-thirds of year-to-date dollar volume.

The $88.4 million sale of 5th & Third East Village (located in ARRIS East, 4.8% cap) and the $83.75 million sale of Hilton Garden Inn & Homewood Suites (6.7% cap) were major contributors to the overall increase in year-to-date dollar volume. At the low end of transaction size, but commanding top-dollar per square foot, was DOM 123, which sold for $920/sf.

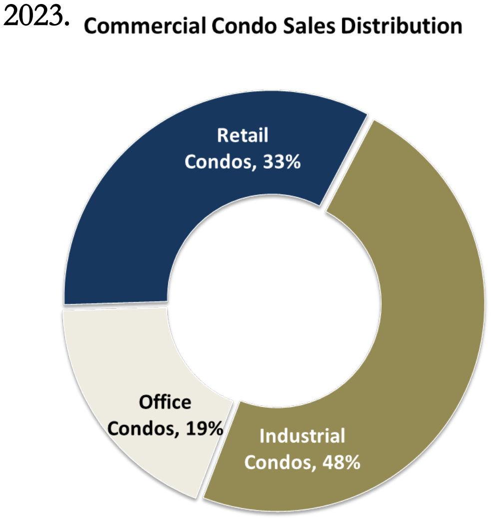


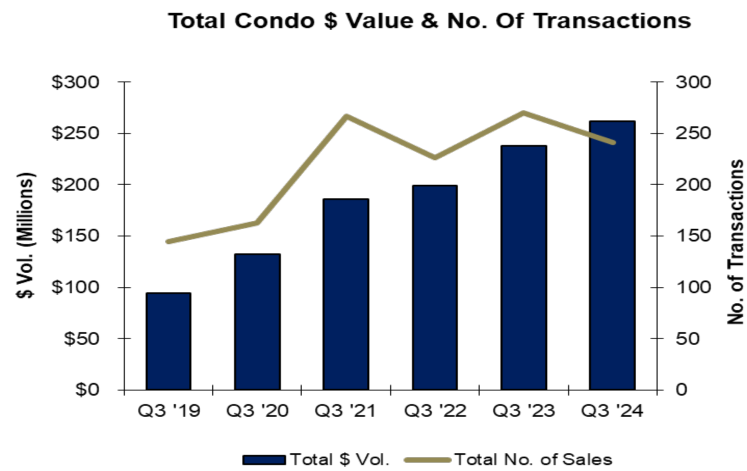


Commercial Condominium Sector

Similar to the trend seen in retail property sales, investment in commercial condominiums reached an all-time third-quarter dollar volume record following a five-year streak of year-over-year investment increases. More than $262 million in transitions closed among commercial condominiums through September 30th, with industrial condo sales comprising a little less than half of that at $107.8 million. Demand for industrial condos is typically much stronger than for office and retail condos, such that at the end of Q3, industrial condo sales comprised 48% of year-to-date sales versus retail/medical condos (33%) and office condos (19%).

Speaking to prices per square foot, this metric increased notably across all three condominium formats, with per square foot prices for retail/medical condos rising to an average of $517 per square foot (psf) from $501 psf a year earlier. Price per square foot values for office condos rose to $355 psf from $319 a year prior while price per square foot values for industrial condos also increased, but more moderately, to $283 psf versus $272 psf in 2023.

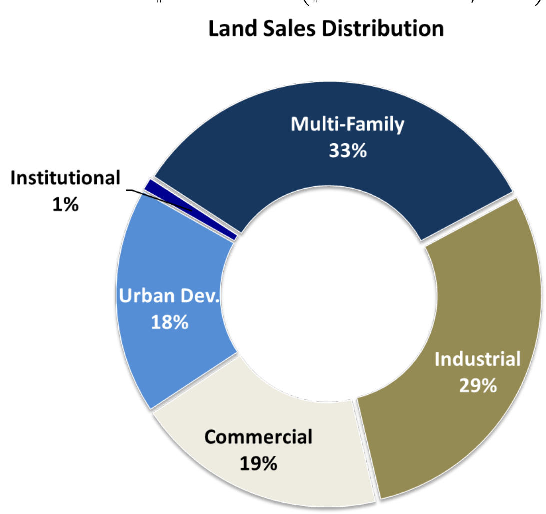


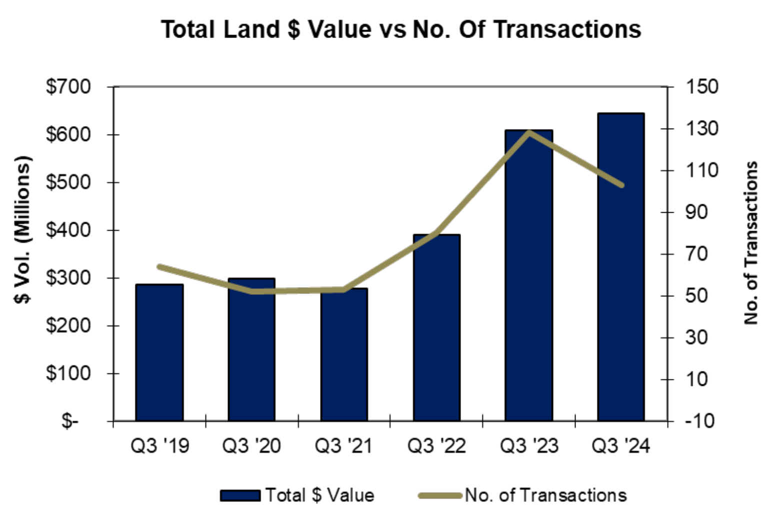


Land Sector

The land asset class was the largest source of investment through the third quarter of 2024, bringing more than $643 million over 103 transactions. Dollar volume-wise, this represents a third consecutive year-over-year increase, despite slightly fewer transactions than at September 30th, 2023. Demand for Urban Development and Residential-zoned land drove investment through the first nine months of the year, drawing $233.7 million and $201.6 million in sales, respectively.

Eight transactions of $25 million or greater closed by September 30th, with two of those exceeding $40 million. The largest of those was the $44 million ($380,000/acre) Urban Development land purchase at 3333 – 85th Street SW and the $43 million ($4.48 million/acre) residential land purchase at 3612 16 Ave SW.





Market Synopsis & Prediction Summary

We remain pleasantly surprised at Calgary's CRE investment levels at September 30th, 2024. To say numbers this strong for a third year in a row were unexpected would be an understatement. Following two years in which overall investment set new all-time records, we did not anticipate the powerful demand for land, multi-family properties and retail assets noted in this report.

While land and retail property sales have led overall investment in the past, the story of the year-to-date has been the ongoing strength of the multi-family asset class - which provided a major boost to Q3 dollar volume. According to Calgary Economic Development, Calgary's population grew by nearly 100,000 people through 2023 and a similar population increase is expected for 2024. In tandem with the above, the Canada Housing and Mortgage Corporation (CMHC) tracked a decrease in Calgary's rental apartment vacancy to 1.4% at the end of 2023. That rate is forecast to drop to just 1.1% at the end of 2024.

We also continue to be taken-aback by the steadily increasing demand for commercial condominiums in the Calgary market. With this asset group posting a 10% year-over-year increase in sales, the appeal of owning one's real estate is holding strong. As stated in our mid-year report, we had anticipated a decrease in this type of asset due in part to demand-driven increases in prices per square foot for all formats, but with the Bank of Canada's recent rate reductions – and with more widely anticipated – the future appears bright for this asset type.

In the past, similarly outsized quarters as we witnessed in Q1 of this year have traditionally been followed by quiet periods, with activity ramping-up again later in the year. True to that observation, we noted slight decelerations in sales activity through the second and third quarters of this year, but with Alberta's economy remaining very strong, we anticipate that investment activity will remain steady through the fourth quarter of 2024. A slight year-over-year decrease in dollar volume is a distinct possibility but 2024 will still be one of the strongest years for commercial real estate investment going back to 2008.